

Clearing Fund

As of 2018/12/3

- Clearing Fund is designed to cover potential losses arising from the simultaneous default of two Clearing Participants (including any other related Clearing Participants ^(*)) with the top 2 Excess Risk Amounts.
- Excess Risk Amount is calculated as the amount of loss (risk equivalent under stressed conditions) that may arise “under extreme but plausible market conditions” (stressed conditions) exceeding each Clearing Participant’s Initial Margin requirement.

(*) Referring to any subsidiaries and affiliates of the Clearing Participant, as well as the parent company of the Clearing Participant and any subsidiaries and affiliates of the parent company.

Outline

Deposit Method

Calculation

- Collateral posted in preparation for losses exceeding Initial Margin if a Clearing Participant defaults

【Eligible Collateral】

- Cash or eligible securities collateral (JGB / US Treasuries)

【Timing】

- Calculated based on positions as of 19:00 each business day,
- Must be deposited by 14:00 on the next business day

- Calculated assuming the default of the two Clearing Participants with the top two “Excess Risk Amounts”, using stress scenarios
- Prorate the aggregate Excess Risk Amounts of the top 2 Clearing Participants, according to each Clearing Participant’s Initial Margin requirement, including any add-ons (“Clearing Fund Requirement”)
- Each Clearing Participant’s Clearing Fund requirement shall be a minimum of 100 million yen.

- Stress scenarios are generated using the following methods:

(a) Historical Scenarios

Actual interest rate fluctuations observed during periods of extreme market volatility.

(b) Hypothetical Scenarios

Theoretical interest rate fluctuations reflecting currency specific risk features, generated using Principal Component Analysis. In addition, interest rate fluctuations capturing simultaneous risk features across multiple currencies, generated using Principal Component Analysis.

(c) Basis Risk Scenarios

Actual observed fluctuations (widening and narrowing) in the basis between yield curves.